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OSD: TBENNET

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TAGS: [ECON](#) [ENRG](#) [IZ](#) [PARM](#) [PREL](#)  
SUBJECT: TUWAITHA UPDATE: MOST GOES TO PARIS

REF: A. A. STATE 163968

[1](#)B. B. BAGHDAD 4126  
[1](#)C. C. STATE 169324  
[1](#)D. D. BAGHDAD 2454  
[1](#)E. E. BAGHDAD 1787  
[1](#)F. F. BAGHDAD 734  
[1](#)G. G. BAGHDAD 004227  
[1](#)H. H. BAGHDAD 00410

Classified By: Ambassador Charles Ries, for Reasons 1.4 (B), (D) and (H)  
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[1](#)1. (S) Summary. Ambassador Ries met with Ministry of Science and Technology (MOST) Minister Raid Jahid (FAHMI) on Feb 8 to provide an updated calibration of the US position on issues such as cost sharing. Fahmi asked for the estimated total US cost for removal and transporting the yellow cake and the expected amount of cost share from Iraq. He felt that those estimates were necessary to determine an acceptable bid and convince the Council of Ministers (COM) that the sales deal is best for Iraq. Ries acknowledged Fahmi's concern with the COM and said US costs should be less than \$100 M; the U.S. understands Iraq needs to clear significant funds from the transaction. Ries proposed and Fahmi agreed that the specific cost share would be determined after Iraq had an acceptable bid but before contract signing. Fahmi agreed with Ries and Brigadier General Wendel to stage the yellow cake closer to Baghdad Airport in order to reduce costs and facilitate shipment and asked that the US notify the IAEA as necessary. Fahmi confirmed the GOI would accept the risk of losing yellow cake during shipment and agreed to put the commitment in writing. Ries and Fahmi will meet again following the Paris negotiations. End Summary

[1](#)2. (S) On February 8 Ambassador Ries met with MOST Minister Fahmi at the AL Rasheed Hotel. Ambassador Ries and Brigadier General Wendel informed Min. Fahmi that the yellow cake repackaging was complete and the paperwork will be finished shortly. The USG is prepared to move the yellow cake to a staging area at one of the US military facilities close to the Baghdad Airport where it would be temporarily kept awaiting GoI final notifications and destination arrangements. This would help reduce in-country costs, provide for good security, and facilitate ease and flexibility for air transport. Fahmi agreed to a staging

concept, provided IAEA was informed and did not object. Ries agreed that USG would inform IAEA.

3.(S) Fahmi asked Ries for USG,s estimated total removal costs so Fahmi could more precisely estimate GOI,s net revenue from the yellow cake sale. Ries said he was not empowered to provide a dollar proposal on GOI,s cost-share at present, but believed the USG,s costs would be under \$100 million. Fahmi chuckled, saying his experts say the yellow cake sale proceeds are about \$100 million, potentially leaving GOI very little net after cost-sharing with the USG. Fahmi asked that the GOI,s cost-share figure be negotiated and agreed prior to the Committee making its sale recommendation to the Council of Ministers (COM) for approval. Ries said his goal was that GOI get the most money feasible from the sale and he would negotiate the cost-sharing after the Committee had its high bidder's proposal but prior to the Committee making its recommendation to the COM.

14. (S) The Minister then summarized his understanding of our February 5 discussion on GOI,s liabilities for accidents during the US transportation of the yellow cake to a buyer. He said he understood the US position was that liability for loss to GOI,s yellow cake during USG,s operated transit was GOI,s risk alone and he accepted that. He implied that GOI was not picking up liability for damage to persons, property, or the environment for accidents during yellow cake transport. Ries stated that this arrangement should be memorialized in writing, possibly a letter. Fahmi agreed with the proposal.

15. (S) Turning to the meetings with the buyers next week, Ries told Fahmi that the USG would provide his team in Paris with the records of prior communications the USG has had with the 3 bidders, pursuant to Fahmi,s request at the Feb 5 meeting. Ries asked the path forward Fahmi expected next week and in the following weeks. Fahmi said the he had individual meetings next week with Areva, GE/Hitachi, and Cameco, respectively. His goal is to settle as many issues as possible and to identify remaining questions for further discussions. Fahmi intends to return to Baghdad, study bidders, proposals and if necessary have further meetings to address remaining issues. Once the cost-sharing is agreed, the Committee will make its recommendation to the COM for approval. Following COM OK, the sales contract will be hammered out and executed. In relation to the expected price for the yellow cake, Fahmi and Ries discussed the recent downward trend in yellow cake spot market prices. Ries noted that the price might rebound but that the world economic downturn probably affects yellow cake spot prices as well and that making the sale with the current price could be the right move. Ries suggested a meeting be held upon Fahmi,s return from Paris, and the Minister agreed. The meeting lasted 45 minutes. The Committee flew to Paris later in the afternoon on Friday.

Attendees

GOI

Minister Raid Jahid Fahmi, Minister of Science and Technology

USG

Ambassador Charles Ries, Coordinator for Economic Transition  
in Iraq, US Embassy

Brigadier General Kevin Wendel, Commander, 20th Support  
Command

Edgar Parks, Energy Attach, US Embassy

Robert Boudreau, DOE/NNSA Representative, US Embassy

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